

## CDCI ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Southern Bancorp, Inc.

Point of Contact:	Robert A. Cern	RSSD: (For Bank Holding Companies)	1248939
UST Sequence Number:	490	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	33,698,310	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	August 06, 2010	City:	Arkadelphia
Date Repaid <sup>1</sup> :	N/A	State:	Arkansas

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Southern was able to increase lending in our communities with the added capital received from the CDCI funds. In 2011 alone, Southern provided nearly \$300 million in new loans to its distressed rural markets.

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☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The major types of loans provided in 2010 were Small Business Loans and Commercial Loans.

☐ **Increase securities purchased (ABS, MBS, etc.).**

☐ **Make other investments.**

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☐ Increase reserves for non-performing assets.

☐ Reduce borrowings.

☐ Increase charge-offs.

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☒ **Purchase another financial institution or purchase assets from another financial institution.**

Southern was able to purchase two financial institutions in rural communities and re-structure the organization's capital with CDCI funds.

☐ **Held as non-leveraged increase to total capital.**

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### What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Through reducing interest carry charges and restructuring the debt of the company, Southern was able to avoid reduction of its loan offerings in the country's most distressed communities. Despite challenging local market conditions, Southern's credit quality remained strong and loan volume increased during 2011.

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### **What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?**

Southern was able to grow and expand its mission through acquisitions in rural and underserved communities. This expansion provided Southern the asset base needed to enhance its small business lending throughout the country's hardest-hit communities during the peak of the national financial crisis. Between 2008 and 2011, Southern's lending in distressed markets nearly doubled. More importantly, Southern's acquisition of these community banks produced a net increase in loans.

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**Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.**